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FISCAL IMPACT STATEMENT

LS 6650

BILL NUMBER: HB 1446

NOTE PREPARED: Feb 5, 2004

BILL AMENDED: Feb 4, 2004

SUBJECT: Grant Anticipation Revenue Bonds.

FIRST AUTHOR: Rep. Bauer

FIRST SPONSOR:

BILL STATUS: 2nd Reading - 1st House

FUNDS AFFECTED: **GENERAL**
 X DEDICATED
 X FEDERAL

IMPACT: State & Local

Summary of Legislation: (Amended) (A) *GARVEE Bonds*: This bill authorizes the Transportation Finance Authority to issue bonds or notes secured by lease rentals relating to highway improvement projects and anticipated to be paid from receipt in the current federal fiscal year or a future federal fiscal year of federal transportation revenues. The bill provides that when issuing the bonds or notes, the authority is subject to certain rules concerning minority and women's business participation.

(B) *Lease Financing*: The bill authorizes the Transportation Finance Authority to issue bonds or notes for local road projects that are secured by lease rentals payable by cities, towns, and counties. The bill provides that when issuing the bonds or notes, the authority is subject to certain rules concerning minority and women's business participation.

Effective Date: July 1, 2004.

Explanation of State Expenditures: (Revised) (A) *GARVEE Bonds*: The bill establishes the Grant Anticipation Fund to be administered by the Department of Transportation (DOT) for the purpose of constructing and reconstructing state highways. Money in the Fund does not revert at the end of a state fiscal year.

The Department may use the money in the Fund only to pay (1) the cost of construction or reconstruction of a highway improvement project; (2) the cost of acquisition of all land, rights-of-way, property, etc.; (3) the cost of demolishing or removing buildings, structures, etc.; (4) engineering and legal expenses and the costs of plans; (5) and payment of rentals and performance of other obligations under contracts or leases relating to highway improvement projects securing grant anticipation revenue bonds or notes.

The Fund shall receive federal transportation revenue apportioned or allocated to Indiana by the U. S. Department of Transportation under 23 U.S.C. or other federal money available that may be used for a project under this program.

The bill allows the Transportation Finance Authority (TFA) to issue Grant Anticipation Revenue Bonds (GARVEE). This bond program permits states to pay debt service and other bond-related expenses with future federal-aid highway apportionments. Before the bonds are issued, DOT must prepare a revenue declaration providing specific information on the amount or percentage of federal transportation revenues received by the state during a state fiscal year to be deposited in the grant anticipation fund and the number of years those deposits shall be made. This declaration is subject to the approval the Budget Agency and TFA. The bill limits the total amount of the lease rentals securing grant anticipation bonds or notes during any state fiscal year to 50% of any increase in federal funds over the FFY 2002 level of \$716 M.

The specific impact will depend upon the number of proposed projects to be financed, the amount of federal transportation revenue available, and market conditions.

Background: The table below contains information on the last six years of Federal Highway Trust Fund (FHTF) Apportionments.

Federal Fiscal Year	\$ Amount
FFY 1998	\$530 M
FFY 1999	\$661 M
FFY 2000	\$670 M
FFY 2001	\$735 M
FFY 2002	\$716 M
FFY 2003	\$621 M *
*Congress authorized states to use FHTF balances to flat line spending authority from FFY 2002 to FFY 2003.	

Explanation of State Revenues:

Explanation of Local Expenditures:

Explanation of Local Revenues: (B) *Lease Financing:* The bill authorizes the Transportation Finance Authority to issue bonds or notes for local road projects that are secured by lease rentals payable by cities, towns, and counties. The bill provides that when issuing the bonds or notes, the authority is subject to certain rules concerning minority and women's business participation. A local unit shall pay lease rentals for leases entered into from revenues from any combination of the following sources:

- (1) Money payable to local units from the Motor Vehicle Highway Account (MVHA).
- (2) Money payable to local units from the Local Road & Street Account (LR&S).
- (3) Revenues from the County Motor Vehicle Excise Surtax.
- (4) Revenues from the County Wheel Tax.

(5) Federal transportation revenues apportioned or allocated to the state and distributed to the local units by INDOT.

(6) Any other source of revenues (other than property taxes) that is legally available to the local unit.

Over the last five fiscal years, MVHA distributions have averaged approximately \$263.2 M, while LR&S distributions have averaged approximately \$75.9 M. Below is a table which shows MVHA and LR&S distributions to local units over the last five years:

FUND	FY 1999	FY 2000	FY 2001	FY 2002	FY 2003
MVHA	\$255,940,616	\$268,814,615	\$253,104,631	\$268,557,820	\$269,506,515
LR&S	\$73,878,110	\$76,411,911	\$75,844,271	\$76,635,654	\$76,942,627
TOTAL	\$329,818,726	\$345,226,526	\$328,948,902	\$345,193,474	\$346,449,142

Over the last five calendar years, revenue from the Wheel Tax has averaged approximately \$2.7 M among the counties which have imposed the tax, while revenue from the Surtax has averaged approximately \$26.6 M among the counties which have imposed the tax.

SOURCE	CY 1998	CY1999	CY 2000	CY 2001	CY 2002
Wheel Tax	\$2,568,498	\$2,819,889	\$2,722,168	\$2,692,602	\$2,760,140
Surtax	\$24,987,803	\$25,956,510	\$26,437,274	\$27,319,739	\$28,273,527
TOTAL	\$27,556,301	\$28,776,399	\$29,159,442	\$30,012,341	\$31,033,667

State Agencies Affected: Transportation Finance Authority; Department of Transportation.

Local Agencies Affected: Local transportation and highway agencies in whose localities these projects might occur; Local units which have adopted the County Excise Surtax and Wheel Tax.

Information Sources: Transportation Finance Authority; *Handbook of Taxes, Revenues, and Appropriations*.

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